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**NORTHLAND
OILS LIMITED**

**Annual
Report
1967**

**CALGARY
ALBERTA
CANADA**



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Report of the President

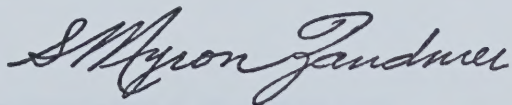
To the Shareholders
Northland Oils Limited

This Annual Report respecting your Company's activities for the fiscal year ended May 31, 1967, is submitted on behalf of your Board of Directors. The accompanying financial statements set forth your Company's operations for the past year and its financial position as at May 31, 1967.

In view of the fact that during the past year the Company did not engage in any active exploration or development work, we did endeavour to curtail expenses and in line therewith eliminated all salaries since December 31, 1966. We have valuated a number of drilling prospects and now have in mind one area in which we may participate during the coming year to bring us into activity again.

We are still retaining your Company's investment in the Common Stock of Permeator Corporation. The original cost of this investment in 1962 was \$105,064 which had a market value at our year end of \$405,000.

Respectfully submitted,

A handwritten signature in cursive script, reading "S. Myron Zandner".

President.

August 29, 1967.
Calgary, Alberta.

Northland
(INCORPORATED UNDER
BALANCE SHEET
(with comparative figures)

ASSETS

Current Assets	1967	1966
Cash	\$ 363	\$ 183
Accounts receivable — trade	919	1,468
Inventory of crude oil, at net realizable value	2,468	1,827
	<u>3,750</u>	<u>3,478</u>
Investments, at cost		
Channel Oils Ltd. (Note 1)		
Shares	500	500
Advances	283,858	282,701
	<u>284,358</u>	<u>283,201</u>
Permeator Corporation, shares (quoted market value 1967, \$405,000; 1966, \$173,000)	105,064	105,064
Royalty interest	6,562	6,562
	<u>395,984</u>	<u>394,827</u>
Capital Assets, at cost (Note 2)		
Leases	153,251	151,616
Development	506,975	505,914
Plant and equipment	316,107	316,315
	<u>976,333</u>	<u>973,845</u>
Less accumulated amortization and depreciation	362,485	330,601
	<u>613,848</u>	<u>643,244</u>
Other Asset		
Organization costs	8,434	8,434
	<u>\$1,022,016</u>	<u>\$1,049,983</u>

NOTES TO FINANCIAL STATEMENTS
Year Ended

1. INVESTMENT IN CHANNEL OILS LTD.: The company owns 50% of the issued share capital of Channel Oils Ltd. since acquisition amounted to \$283,816 (\$262,814 U.S.) of which \$1,423 (\$1,318 U.S.) was contributed by the company.
2. CAPITAL ASSETS: The company amortizes the cost of petroleum property and development costs. The production cost is determined by pro-rating all lease and development costs incurred against the total cost of production equipment on the straight line method based on its estimated useful life.

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- May 31, 1967

s at May 31, 1966)

LIABILITIES

Current Liabilities	1967	1966
Accounts payable	\$ 12,336	\$ 10,796
Notes payable — National Petroleum Corporation Ltd.	33,724	22,838
	<u>46,060</u>	<u>33,634</u>

Shareholders' Equity

Capital Stock		
Authorized		
5,500,000 shares, par value 20c each		
Issued		
4,608,590 shares	921,718	921,718
Contributed Surplus — premium on sale and conversion of shares	460,629	460,629
Deficit	(406,391)	(365,998)
	<u>975,956</u>	<u>1,016,349</u>

Approved on behalf of the Board:

S. MYRON ZANDMER, Director.

GEORGE A. HARRIS, Director.

\$1,022,016 \$1,049,983

AL STATEMENTS

y 31, 1967

al of Channel Oils Ltd. At April 30, 1967 the company's share of the aggregate losses
he loss for the current year. None of the losses have been reflected in the accounts of the

(excluding production equipment) on the full cost basis. Under this method a unit of
recoverable reserves of crude oil discovered. The company computes depreciation of

Northland Oils Limited

STATEMENT OF OPERATIONS AND DEFICIT

Year Ended May 31, 1967
(With comparative figures for 1966)

Income	1967	1966
Sale of oil and gas	\$ 28,622	\$ 32,895
Less royalties	4,696	5,140
	<u>23,926</u>	<u>27,755</u>
Expenses		
Well operating	20,987	23,331
Interest and exchange	2,153	1,786
Office and clerical	1,800	1,800
Salaries	3,675	6,300
Other general and administrative	1,865	1,520
	<u>30,480</u>	<u>34,737</u>
	6,554	6,982
Amortization of leases and development	25,789	27,116
Depreciation of plant and equipment	7,338	7,235
Royalty interest written off		6,007
Loss on sale of equipment	712	76
	<u>33,839</u>	<u>40,434</u>
NET LOSS FOR THE YEAR	40,393	47,416
Deficit at beginning of year	365,998	318,582
DEFICIT AT END OF YEAR	<u>\$ 406,391</u>	<u>\$ 365,998</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended May 31, 1967
(With comparative figures for 1966)

Source of Funds	1967	1966
Sale of equipment	\$ 725	\$ 457
Payments by Channel Oils Ltd.		2,496
Decrease in working capital position	12,154	8,031
	<u>\$ 12,879</u>	<u>\$ 10,984</u>
Application of Funds		
Operations		
Net loss for the year	\$ 40,393	\$ 47,416
Deduct items which did not involve a current outlay of funds		
Depreciation and amortization	(33,127)	(34,351)
Royalty written off		(6,007)
Loss on sale of equipment	(712)	(76)
	<u>6,554</u>	<u>6,982</u>
Additions to fixed assets	5,168	4,002
Advance to Channel Oils Ltd.	1,157	
	<u>\$ 12,879</u>	<u>\$ 10,984</u>

Auditors' Report

To the Shareholders of
Northland Oils Limited

We have examined the balance sheet of Northland Oils Limited as at May 31, 1967 and the statements of operations and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The investment in Channel Oils Ltd. is reflected at cost. No provision has been made in these accounts for the affiliate's losses since acquisition as detailed in Note 1. It is our opinion that recovery of the total advance is doubtful and that provision should be made accordingly.

Subject to the effect of the preceding paragraph, in our opinion the financial statements referred to above present fairly the financial position of the company as at May 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON.
Chartered Accountants.

Calgary, Alberta.
August 4, 1967.

